

Service Date: October 11, 2001

DEPARTMENT OF PUBLIC SERVICE REGULATION
BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MONTANA

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IN THE MATTER OF MONTANA POWER)	UTILITY DIVISION
COMPANY, Annual Application to Implement)	
Its Unreflected Gas Cost, Gas Cost Tracking,)	DOCKET NO. D2001.1.1
And Gas Transportation Adjustment Clause)	
Procedures)	ORDER NO. 6318c
IN THE MATTER OF MONTANA POWER)	UTILITY DIVISION
COMPANY, Application for Approval of a)	
Proposed Sharing of Proceeds from Sale)	DOCKET NO. D96.2.22
Of Gas Production and Gathering Properties)	
)	ORDER NO. 5898h

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FINAL STIPULATED ORDER

FINDINGS OF FACT

1. On January 19, 2001, Montana Power Company (MPC) filed an application with the Public Service Commission (PSC or Commission) for an overall increase in natural gas revenues to reflect MPC's annual Gas Tracking, Unreflected Gas Cost Account, and Gas Transportation Adjustment Clause (GTAC). The gas tracker includes a reconciliation of the actual gas costs and revenues for the 14 months ending October 31, 2000, plus the months of November and December 2000, in the form of the amortization of the Unreflected Gas Cost Balance, and the projection of gas costs for the tracking period November 1, 2000 through October 31, 2001. The overall net increase associated with the adjustments created by the current tracking year's activities is \$50,508,024. By adding the extinguished unit rate adjustments of \$622,912, which were effective for service on and after December 9, 1999, to the current tracking year's activities of \$50,508,024, the result is a net increase in annual revenues of \$51,130,935.

2. MPC states that the proposed increase is required to: 1) reflect an increase in the projected gas costs for the period of November 1, 2000 to October 31, 2001; 2) amortize the balance in the Unreflected Gas Cost Account Balance (as adjusted) for the fourteen-month

period ending October 31, 2000, plus November and December 2000; 3) amortize the GTAC Balance (as adjusted) for the fourteen-month period ending October 31, 2000; and 4) extinguish the unit amortization's in the current tariff sheets approved pursuant to PSC Order No. 6212.

3. On January 19, 2001, in addition to the requested increase, MPC filed a request with the PSC for an overall decrease in natural gas revenues to reflect the sale of MPC's former Natural Gas Production and Gathering Properties. In Docket No. D96.2.22, MPC entered into Stipulation Agreement #3, which was approved by the Commission in Order No. 5898d. Pursuant to Stipulation #3, MPC is to share proceeds of the sale of the properties. MPC has proposed a credit for its customers of \$32,549,128. MPC had planned to remit the proceeds to its customers over an approximate 11-year remaining life of the CTC-GP. Due to the significant increase in gas costs during the last several months MPC is proposing to return this credit over a one-year period.

4. On January 29, 2001, the Commission approved Interim Order No. 6318a and Order No. 5898f finding that the elements of the tracking filing and sale of proceeds and corresponding credit, as described above were acceptable and appropriate on an interim basis. The Interim Order was effective for services rendered on and after February 1, 2001.

5. On September 24, 2001, MPC and the two intervening parties, Montana Consumer Counsel (MCC) and Commercial Energy of Montana (CEM) entered into a Stipulation Agreement. On September 25, 2001, at a scheduled hearing on these two dockets, the parties offered the Stipulation Agreement to the Commission for its consideration.

6. The parties agreed in the settlement that in Docket 2001.1.1 the interim amount should be approved on a final basis but the net proceeds from the sales of storage cushion gas that have not already been accounted for in storage rates, \$15,979,618 and the costs of the additional investment in storage surface facilities should be reflected in storage rates as of the date of the Order in this proceeding. Ratebase will first be reduced by the amount of the storage cushion gas that was sold. An additional credit to ratebase will be made for the gain on the sale net of deferred income taxes. This credit for the gain will be amortized over the same life as the surface facilities (38 years) and offset the cost of those facilities.

The first year rate impacts are as follows:

Reduction in Inventory	(\$775,085)	
Investment in Compressor		\$1,050,846
Gain on sale of Storage Gas	<u>(\$1,581,395)</u>	
Net reduction in revenue requirement		(\$1,305,634)

7. In Docket No. D96.2.22 all parties agreed that the total amount of sharing of the proceeds from the sale of natural gas properties that were previously in the gas utility ratebase, pursuant to Stipulation Agreement #3, approved in Order No. 5898d, Docket No. D96.2.22, is \$56.3 million. MPC will also pay a carrying charge of \$4.2 million, which represents interest from the date of the sale, October 31, 2000, through the end of the refund period. The CTC-GP Credit rate, made effective as of February 1, 2001, will continue in effect until January 31, 2002. The CTC-GP Credit rate will be changed, effective February 1, 2002, to reflect \$60.5 million less the amount credited during the February 1, 2001 to January 31, 2002 period, and will continue until January 31, 2003.

8. All parties testified before the Commission that adoption of the proposed Stipulation Agreement would be in the public interest.

9. Upon review and consideration the Commission finds the Stipulation Agreement to be just and reasonable and is therefore approved.

CONCLUSIONS OF LAW

1. Montana Power Company offers regulated natural gas service in the state of Montana and is a public utility under § 69-3-102, MCA.

2. The Montana Public Service Commission properly exercises jurisdiction over the Montana Power Company's Montana operations pursuant to Title 69, Chapter 3, MCA.

3. The rates approved herein are just and reasonable.

ORDER

1. The Montana Power Company is hereby authorized to implement all changes as outlined in the Stipulation Agreement, dated September 24, 2001.

2. The Montana Power Company must file tariffs with the Commission in compliance with the Stipulation Agreement.

3. The rates which implement this Final Stipulated Order will be effective for all services rendered on and after October 11, 2001.

DONE AND DATED at Helena, Montana, this 11th, day of October, 2001, by a vote of 5 to 0.

BY ORDER OF THE MONTANA PUBLIC SERVICE COMMISSION

GARY FELAND, Chairman

JAY STOVALL, Vice Chairman

BOB ANDERSON, Commissioner

MATT BRAINARD, Commissioner

BOB ROWE, Commissioner

ATTEST:

Rhonda J. Simmons
Commission Secretary

(SEAL)

NOTE: Any interested party may request the Commission to reconsider this decision. A motion to reconsider must be filed within ten (10) days. See 38.2.4806, ARM.